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**MAITLAND WATERWORKS DISTRICT
CATAHOULA PARISH
Clayton, Louisiana**

**Annual Financial Statements
and Auditor's Reports**

**June 30, 2004
and for the Year then Ended**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 12-1-04

**JERI SUE TOSSPON
Certified Public Accountant**

MAITLAND WATERWORKS DISTRICT
CATAHOULA PARISH
Clayton, Louisiana

Annual Financial Statements
and Auditor's Reports

June 30, 2004
and for the Year then Ended

MAITLAND WATERWORKS DISTRICT

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MAITLAND WATERWORKS DISTRICT
(A Component Unit of the Catahoula Parish Police Jury)
MANAGEMENT DISCUSSION & ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004

INTRODUCTION

The discussion and analysis (MD&A) of the Maitland Waterworks District's financial performance provides an overall narrative review of the District's financial activities for the year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the District's financial performance.

This discussion and analysis is a new element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999. Certain comparative information between the current year and the prior year is required to be presented. However, since this is the first year of implementation of the new reporting model contained in GASB Statement No. 34, the Statement permits the omission of prior year data in the year of implementation. The District has elected not to present comparative data.

The Maitland Waterworks District is located in northeast Louisiana along Highway 15.

FINANCIAL HIGHLIGHTS

The financial statements included in this report provide insight into the financial status for the year. Based upon the operations of the year ended June 30, 2004, the Maitland Waterworks District's net assets increased and resulted in ending net assets of \$332,472.

1. The beginning cash balance for the Maitland Waterworks District was \$74,686. The ending cash balance was \$64,612.
2. The District had \$279,134 in revenues, which primarily consisted of water sales, interest income, meter fees and a department of highways reimbursement of \$204,540. There were \$313,427 in expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Maitland Waterworks District's basic financial statements. The District's basic financial statements comprise two components: 1) fund financial statements, and 2) notes to the financial statements.

Fund financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

MAITLAND WATERWORKS DISTRICT
 (A Component Unit of the Catahoula Parish Police Jury)
MANAGEMENT DISCUSSION & ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004

The statement of revenues, expenses and changes in net assets presents information showing how the District's net assets changed during the most recent fiscal year.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 10-16 of this report.

FUND FINANCIAL ANALYSIS

Net assets may serve as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$332,472 as of June 30, 2004.

Net Assets for the period ending June 30, 2004

The current year's financial statements are dramatically different from past years as a result of implementing GASB 34. Attempting to compare this year's data with last year would be misleading to the reader; however the District looks forward to offering comparative data in the future.

The following is a condensed statement of the Maitland Waterworks District's net assets as of June 30, 2004:

Current Assets	\$ 24,022
Restricted Assets	49,314
Noncurrent Assets - Capital Assets	518,773
Noncurrent Assets - Other Assets	<u>5,850</u>
Total Assets	<u>597,959</u>
Current Liabilities	17,280
Current Liabilities - Payable from Restrictd Assets	14,104
Long-term Liabilities	<u>234,103</u>
Total Liabilities	<u>265,487</u>
Net Assets	
Investment in capital assets, net of related debt	518,773
Restricted for debt service	49,314
Unrestricted	<u>(235,615)</u>
Total Net Assets	<u>\$ 332,472</u>

MAITLAND WATERWORKS DISTRICT
 (A Component Unit of the Catahoula Parish Police Jury)
MANAGEMENT DISCUSSION & ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004

The largest portion of the District's net assets (\$279,668 or 84%) is its investment in capital assets such as equipment less related debt expended in the acquisition of those assets.

Another portion of the District's net assets (\$49,314 or 14%) is restricted to paying long-term debt. The remaining balance of the net assets (\$3,490 or 1 %) may be used to pay current operating expenses.

The District has long-term debt of \$234,103 which was used to finance additions to the utility system in prior years. More information concerning this debt may be found on pages 14-15 of the notes to the financial statements. Total liabilities of \$265,487 are equal to 44 % of the total assets of the District.

The business type activities decreased the net assets by \$34,293. This decrease included grants totaling \$204,540. This grant was used to purchase capital assets (water line relocations) of \$204,325 which also were capitalized in the current year and depreciated over the estimated lives of the assets.

The following is a summary of the statement of activities:

Revenues:

Water sales	\$ 70,140
General revenues	4,454
Grants	<u>204,540</u>
Total revenues and transfers	<u>279,134</u>

Expenses:

Operating expenses	94,456
Interest expenses	14,646
Capital outlay (water line replacements)	<u>204,325</u>
Total expenses	<u>313,427</u>

(Decrease) in net assets	(34,293)
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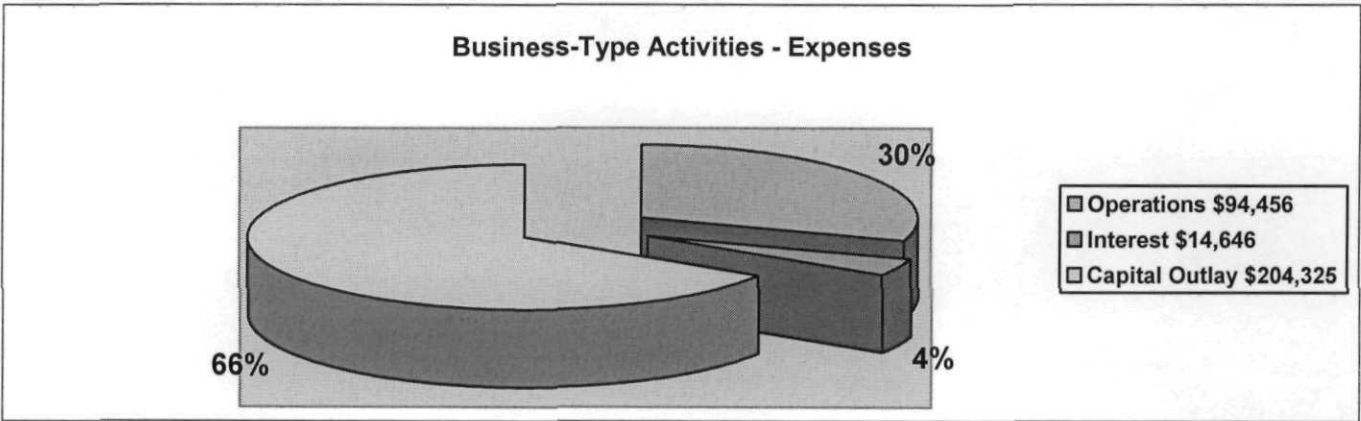
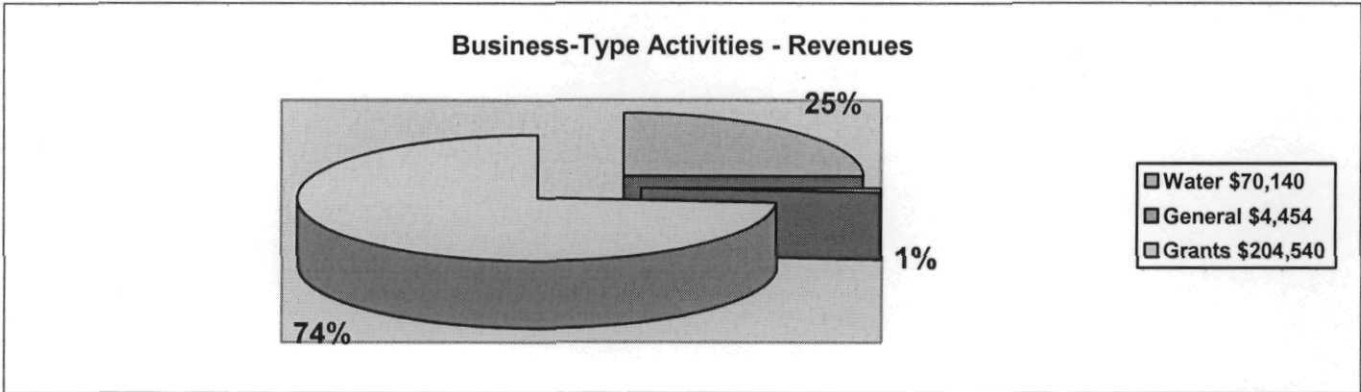
Net assets June 30, 2003	<u>366,765</u>
Net assets June 30, 2004	<u>\$ 332,472</u>

Business Type Activities

The Business-Type Activities of the District include revenues resulting from fees charges customers.

The following presents in graphs the information from the Statement of Activities for the Business-Type Activities:

MAITLAND WATERWORKS DISTRICT
 (A Component Unit of the Catahoula Parish Police Jury)
 MANAGEMENT DISCUSSION & ANALYSIS (MD&A)
 YEAR ENDED JUNE 30, 2004



The notes to the financial statements should be read to have a full understanding of the data in the government-wide financial statements.

REQUEST FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Any questions about this report or request for additional information may be directed to Anita Alexander.

JERI SUE TOSSPON
Certified Public Accountant
P O Box 445
Ferriday, Louisiana 71334-0445
(318)757-9393 Fax (318)757-9300
jtosspou@bellsouth.net

INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Maitland Waterworks District
Clayton, Louisiana

I have audited the accompanying financial statements of the business-type activities of the *Maitland Waterworks District, as of and for the year ended June 30, 2004*, which comprises the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Maitland Waterworks District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Maitland Waterworks District, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Maitland Waterworks District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2004.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 5, 2004, on my consideration of the Maitland Waterworks District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of

that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management discussion and analysis on pages 1 through 4 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Maitland Waterworks District basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on it.

A handwritten signature in cursive script, reading "Jeli Sue Tompa".

Ferriday, Louisiana

November 5, 2004

SECTION I
BASIC FINANCIAL STATEMENTS

MAITLAND WATERWORKS DISTRICT
(A Component Unit of the Catahoula Parish Police Jury)
STATEMENT OF NET ASSETS - PROPRIETARY FUND
June 30, 2004

ASSETS

Current Assets		
Cash (Note 3)	\$	15,298
Accounts receivable, water sales		7,757
Prepaid expenses		967
Total current assets	\$	<u>24,022</u>
Non-Current Assets - Restricted Assets (Notes 3 and 4)		
Bond Sinking Fund:		
Cash	\$	10,819
Bond Reserve Account:		
Certificates of deposit		19,649
Bond Contingency Account:		
Cash		1,678
Certificates of deposit		17,168
Total non-current assets - restricted assets	\$	<u>49,314</u>
Non-Current Assets - Capital Assets		
Property, plant and equipment	\$	930,217
Less accumulated depreciation		411,444
Total non-current assets - Net Capital Assets	\$	<u>518,773</u>
Non-Current Assets - Other Assets		
Utility deposits	\$	700
Unamortized bond costs		2,716
Unamortized organization costs		2,434
Total non-current assets - other assets	\$	<u>5,850</u>
TOTAL ASSETS	\$	<u>597,959</u>

LIABILITIES

Current Liabilities (Payable from current assets)		
Accounts payable	\$	16,651
Payroll tax payable		629
Total current liabilities (Payable from current assets)	\$	<u>17,280</u>
Current Liabilities (Payable from restricted assets)		
Notes payable-current portion (Note 6)	\$	5,002
Accrued interest payable		9,102
Total current liabilities (Payable from restricted assets)	\$	<u>14,104</u>
Long Term Liabilities		
Notes payable (Note 6)	\$	234,103
TOTAL LIABILITIES	\$	<u>265,487</u>

NET ASSETS

Invested in capital assets, net of related debt	\$	279,668
Restricted for debt service		49,314
Unrestricted		3,490
TOTAL NET ASSETS	\$	<u>332,472</u>

See accompanying notes to financial statements.

MAITLAND WATERWORKS DISTRICT
(A Component Unit of the Catahoula Parish Police Jury)
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2004

	Year ended June 30, 2004
Operating Revenues	
Water sales and late fees	\$ 70,140
Meter fees	1,627
Other income	
Total operating revenue	\$ 71,767
Operating Expenses	
Salaries	\$ 18,962
Payroll taxes	1,451
Water system operation	17,015
Utility expense	9,307
Office expense and operations	5,022
Insurance	3,310
Professional fees	16,273
Well site rent	1
Depreciation	22,884
Amortization	231
Total operating expense	\$ 94,456
Net Income (Loss) from Operations	\$ (22,689)
Nonoperating Revenues (Expenses)	
Intergovernmental - Department of Highways reimburseme	\$ 204,540
Payments for line relocations	(204,325)
Interest earnings	2,827
Interest expense	(14,646)
Total nonoperating revenue (expense)	\$ (11,604)
Change in Net Assets	\$ (34,293)
Total Net Assets - Beginning	366,765
Total Net Assets - Ending	\$ 332,472

See accompanying notes to financial statements.

MAITLAND WATERWORKS DISTRICT
(A Component Unit of the Catahoula Parish Police Jury)
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004

Cash flows from operating activities	
Cash received from water sales	\$ 71,413
Cash paid to suppliers and employees	<u>(77,468)</u>
Net cash provided by operating activities	<u>\$ (6,055)</u>
 Cash flows from capital and related financing activities	
Principal paid on capital debt	\$ (5,003)
Interest paid on capital debt	(14,646)
Reimbursements from the Department of Highways	204,540
Line relocation charges	<u>(191,737)</u>
Net cash used by capital and related financing activities	<u>\$ (6,846)</u>
 Cash flows from investing activities	
Interest income received	<u>\$ 2,827</u>
Net cash provided by financing activities	<u>\$ 2,827</u>
 Net increase (decrease) in cash	 \$ (10,074)
 Cash and cash equivalents at beginning of year	 <u>74,686</u>
 Cash and cash equivalents at end of year	 <u>\$ 64,612</u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ (22,689)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	22,884
Amortization	232
Change in assets and liabilities:	
(Increase) in accounts receivable	(119)
(Increase) in prepaid expenses	(946)
(Decrease) in accounts payable	(5,501)
(Decrease) in sales tax payable	(234)
Increase in payroll tax payable	<u>318</u>
 Net cash provided by operating activities	 <u>\$ (6,055)</u>

See accompanying notes to financial statements

MAITLAND WATERWORKS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - INTRODUCTION

The Maitland Waterworks District is a component unit of the Catahoula Parish Police Jury. It was created by the Police Jury by Ordinance in 1981 to serve the rural areas of eastern Catahoula Parish, under R.S. 33:3811. The Waterworks District is governed by a Board of Commissioners who are appointed by the members of the Police Jury. The Board consists of five members, each serving five year terms.

The Waterworks District serves approximately 260 consumers with a staff of two part-time employees. They maintain 99 miles of water lines, supplying over 16,000,000 gallons of water annually from one well.

GASB Statement No 14, The Reporting Entity, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Maitland Waterworks District is considered a component unit of the Catahoula Parish Police Jury. As a component unit, the accompanying financial statements are included within the reporting of the primary government, either blended into those financial statements or separately reported as discrete component units.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements - Maitland Waterworks District is a special-purpose government engaged in only business-type activities and, as such, is only required to present fund financial statements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
The proprietary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Maitland Waterworks District reports the following proprietary funds:

Waterworks - to account for the revenues from customers and expenses of the operation of the water plant

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include:

1. Charges to customers for goods, services, or privileges provided.
2. Operating grants and contributions.
3. *Capital grants and contributions, including special assessments.*

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Waterworks District include charges for water use, penalties for late payment of water bills and charges for connection. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Cash and Certificates of Deposit - Cash includes amounts in demand deposits. The District conducts all its banking transactions with one state-chartered institution in Catahoula Parish.

At June 30, 2004, the Maitland Waterworks District had \$65,547 (bank's balance) on deposit at this financial institution.

All cash and certificates of deposit are deposited in financial institutions insured by an agency of the United States Government.

D. Inventories - Inventories of materials and supplies are considered to be expenditures at the time of purchase. Amounts on hand at the financial statement date are immaterial and, therefore, are not included in the balance sheet.

E. Restricted Assets - Certain assets of the Maitland Waterworks District are restricted by provisions of bond covenants associated with notes payable to the Farmer's Home Administration.

F. Property, Plant and Equipment - Additions to the utility plant in service are recognized at cost, or if contributed property, at their estimated fair market value at the time of contribution. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation of fixed assets used by the Waterworks District is charged as an expense against their operations. Depreciation is calculated over the estimated useful life of the assets using the straight-line method as follows:

Buildings	40 years
Distribution system	40 years
Equipment	5-15 years

G. Amortization of Bond Expense and Organization Costs - The cost of issuance of bonds and the cost of organizing and legal advice during the creation of the District are being amortized using the straight-line method, over a 40 year period.

H. Fund Equity - The Waterworks District records reserves to represent those portions of fund equity legally segregated for a specific future use. The following lists such reserves used by the Waterworks District:

Sinking Fund & Note Reserves	\$49,314
------------------------------	----------

I. Vacation and Sick Leave - The District does not have a formal leave policy for accumulation and vesting of vacation and sick leave. All vacation and sick days accumulated are forfeited upon resignation or dismissal. The days that are granted are included in salaries annually.

J. Pension Plans - The District does not have a retirement program for its employees and the employees are not members of the State of Louisiana Retirement System. The employees are included in the federal Social Security System.

K. Income Taxes - Maitland Waterworks District is a special government district, and, as such, is not subject to federal or state income taxes.

L. Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and

expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND CERTIFICATES OF DEPOSIT

At June 30, 2004, the Waterworks District has cash and certificates of deposit totaling \$64,512 as follows:

Demand deposits and savings	\$27,695
Certificates of deposit	36,817
Cash on hand	100
	<u>\$64,612</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent banks. At June 30, 2004, the Waterworks District had \$65,547 in collected bank balances. These deposits are secured from risk by \$100,000 of federal deposit insurance.

NOTE 3 - RESTRICTED ASSETS

Certain assets were restricted for debt service and construction. These assets consisted of and are restricted to the following:

Bond debt service	\$ 10,819
Bond sinking fund	19,649
Bond depreciation fund	<u>18,846</u>
	<u>\$49,314</u>

NOTE 4 - CHANGES IN FIXED ASSETS

A summary of the Waterworks District's property, plant and equipment and changes thereto follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Land and right of way easements	\$ 7,750	\$	\$	\$ 7,750
Distribution system, wells, tanks and fixtures	810,345			810,345
Office building, furniture, fixtures and equip.	<u>112,122</u>			<u>112,122</u>
	\$930,217	\$	\$	\$930,217
Less accumulated depreciation	<u>388,560</u>	<u>22,884</u>		<u>411,446</u>
	<u>\$541,657</u>	<u>\$22,884</u>	<u>\$</u>	<u>\$518,773</u>

NOTE 5 - CHANGES IN LONG-TERM DEBT

The following is a summary of the notes payable for the year ended June 30, 2004:

	Note <u>R-1</u>	Note <u>R-2</u>	<u>Total</u>
Notes payable at July 1, 2003	\$170,502	\$73,605	\$244,107
Less principal paid	<u>3,356</u>	<u>1,646</u>	<u>5,002</u>
Notes payable at June 30, 2004	<u>\$167,146</u>	<u>\$71,959</u>	<u>\$239,105</u>

Long-term debt at June 30, 2004 consists of:

Notes Payable R-1 - Water Revenue Bonds due to Farmers Home Administration issued December 15, 1986 in the original amount of \$201,700 due in annual installments of \$13,587 thru December 14, 2026 including interest at a rate of 6%. Revenues and the water plant and distribution system are pledged as collateral for this loan.	\$167,146
Notes Payable R-2 - Water Revenue Bond due to Farmers Home Administration issued December 15, 1986 in the original amount of \$90,000 at an interest rate of 6% due in annual installments of \$6,062 or more plus interest thru December 14, 2026. This loan is secured by a pledge of revenues from the sale of water by the District and the water plant and distribution system.	<u>71,959</u>
Total notes payable	<u>\$239,105</u>

The District's proprietary fund bonds are governed by bond indenture, the terms of which are summarized as follows:

- (1) **Waterworks Operations and Maintenance Fund**
Funds are to be transferred to this fund from the Waterworks Revenue Fund on the first day of each month in sufficient amounts to pay all operating expenses and to make a reasonable provision for the repair and maintenance of the system.
- (2) **Waterworks Bond Reserve Funds (Debt Service and Sinking: All Notes)**
The minimum amount to be transferred to this fund each month from the Waterworks Revenue fund shall be not less than one-twelfth of the amount of principal and interest coming due on the next succeeding note payment date.
- (3) **Waterworks Bond Reserve Funds (Debt Service and Sinking: Both Notes)**

An amount of 5% of the required minimum monthly debt service is to be transferred from the Waterworks Revenue Fund to the Bond Reserve Fund until \$19,649 has been accumulated.

- (4) **Waterworks Depreciation Fund**
 An amount equal to \$100 per month is to be transferred to this fund on the first day of each month from the Waterworks Revenue Fund. Monies in this fund shall be used solely for the purpose of paying the cost for major repairs of damages caused by unforeseen catastrophe and for the replacements made necessary by the depreciation of the system. Money in this fund may also be used to pay principal or interest on the Bonds falling due at any time there is not sufficient money for payment in the other bond funds.

The District is in compliance with all of these covenants.

The annual requirements to retire general long-term debt as of June 30, 2004 are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2005	\$ 5,309	\$ 14,340	\$ 19,649
2006	5,854	13,795	19,649
2007	5,965	13,684	19,649
2008	6,323	13,326	19,649
2009	6,775	12,874	19,649
Thereafter	<u>208,879</u>	<u>133,838</u>	<u>342,717</u>
	<u>\$239,105</u>	<u>\$201,857</u>	<u>\$440,962</u>

NOTE 6 - BAD DEBTS EXPENSE

The District uses the direct write-off method to account for bad debts.

NOTE 7 - LITIGATION

The District was involved in one case at June 30, 2004 which is named "G D Womack Trenching, Inc vs Maitland Water System and JABAR Corporation (Case No 22666 "A" of 7th JDC, Catahoula Parish, Louisiana.) The case involves line relocation fully funded by the Louisiana Department of Transportation and Development in connection with their widening of Louisiana Highway 15. The case was decided in favor of Womack Trenching, Inc. The Waterworks District was required to award the bid for the construction to G D Womack Trenching, Inc. whereas it was awarded to JABAR Corporation at the time of the opening of the bids. Legal fees associated with the case have been included as professional fees in the financial statements.

As of June 30, 2004, the Waterworks had acquiesced in the case and the work has been done by G D Womack Trenching, Inc. For the year ended June 30, 2004, legal fees were included as professional fees. There is no further exposure as regards this case.

NOTE 8 - COMPENSATION OF BOARD OF COMMISSIONERS

There was no compensation or per diem paid to any member of the Board of Commissioners during the year ended June 30, 2004.

NOTE 9 - LINE RELOCATIONS

During the fiscal year ended June 30, 2004, the District substantially completed relocations necessitated by the widening of Highway 15 by the Louisiana Department of Transportation and Development. The cost of this relocation was reimbursed in full by the Department of Transportation in the amount of \$204,540.

SECTION II
REPORT ON INTERNAL CONTROL
AND COMPLIANCE WITH LAWS AND REGULATIONS

JERI SUE TOSSPON
Certified Public Accountant
P O Box 445
Ferriday, Louisiana 71334-0445
(318)757-9393 Fax (318)757-9300
jtosspn@bellsouth.net

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS.**

The Board of Commissioners
Maitland Waterworks District
Clayton, Louisiana

I have audited the financial statement of the Maitland Waterworks District as of and for the year ended June 30, 2004, and have issued my report thereon dated November 5, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

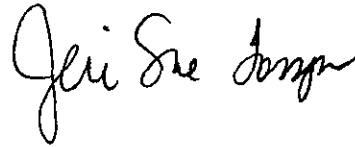
In planning and performing my audit, I considered the Maitland Waterworks District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect the Maitland Waterworks District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2004-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Maitland Waterworks District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective on my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances on noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, the Board of Commissioners, Legislative Auditor, lenders and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:413, this document may be distributed by the Legislative Auditor as a public document.



Ferriday, Louisiana

November 5, 2004

MAITLAND WATERWORKS DISTRICT
Schedule of Findings and Questioned Costs and Management's
Corrective Action Plan
Year ended June 30, 2004

Reportable Conditions

2004-1 - Segregation of Duties

I noted that Maitland Waterworks District does not have adequate segregation of duties. The District has only one part-time employee working in the office, and she has control over almost all financial transactions and record keeping.

To increase internal controls, I recommend adequate segregation of duties be obtained if possible

Management Response.

We do not plan to add any more employees to the office due to the small size of our District. We will try to involve our board members more in oversight to help this problem.

JERI SUE TOSSPON

Certified Public Accountant
P O Box 445
Ferriday, Louisiana 71334-0445
(318)757-9393 Fax (318)757-4185
jtosspn@iamerica.net

Board of Commissioners and Management
MAITLAND WATERWORKS DISTRICT
Clayton, Louisiana

I have audited the financial statements of the Maitland Waterworks District for the year ended June 30, 2004, and have issued my reports dated November 5, 2004. As a part of my examination, I made a study and evaluation of the Waterworks' system of internal accounting control to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards. Under *these standards, the purposes of such evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist the auditor in planning and performing his examination of the financial statements.* My study was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the Waterworks is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purposes described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of Maitland Waterworks District taken in as a whole. However, my study and evaluation disclosed no condition that I believed to be a material weakness.

My comments on specific financial and accounting matters and recommendations developed during my examination which do not represent material weaknesses, are detailed below.

CURRENT FINDINGS

NONE

PRIOR FINDINGS

1. POSSIBLE BID LAW VIOLATION

During my audit, it was noted that a lawsuit had been filed by G D Womack Trenching, Inc. regarding a possible bid law violation in the award of a bid for line relocation fully funded by and required by the Louisiana Department of Transportation in association with their widening of Louisiana Highway 15. The suit was decided by the 7th Judicial District Court in favor of G D Womack Trenching, Inc. but has been appealed by Maitland Waterworks District and JABAR Corporation, the successful bidder for the project. If G D Womack Trenching, Inc. prevails in appeals, they would then become the successful bidder and be required to be awarded the contract. The legal fees incurred by Maitland Waterworks District have been included in these financial statements as an expense.

MANAGEMENT RESPONSE

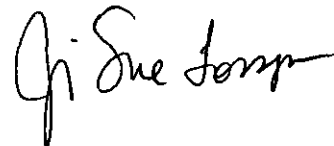
Management is pursuing the appeal of this lawsuit at this time. They are awaiting the decision of the courts in regard to the proper disposition of this matter.

SUBSEQUENT EVENTS

It was decided by the management of Maitland Waterworks, after consultation with their attorney, to drop their appeal of this lawsuit. The bid was awarded to G D Womack Trenching, Inc. and the work has been completed.

This report is intended for the use of Maitland Waterworks District's management and others within the organization.

I thank all the personnel at the Waterworks for their cooperation during my examination.



Ferriday, Louisiana
November 5, 2004